



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 281-6518

Rob Sand  
Auditor of State

**NEWS RELEASE**

FOR RELEASE

June 12, 2020

Contact: Marlys Gaston  
515/281-5834

Auditor of State Rob Sand today released an audit report on Audubon County, Iowa.

**FINANCIAL HIGHLIGHTS:**

The County's revenues totaled \$10,920,934 for the year ended June 30, 2019, a 4.7% increase over the prior year. Expenses for County operations for the year ended June 30, 2019 totaled \$10,239,453, a 2.8% increase over the prior year.

**AUDIT FINDINGS:**

Sand reported two findings related to the receipt and expenditure of taxpayer funds. They are found on pages 72 through 75 of this report. The findings addressed issues such as lack of segregation of duties. Sand provided the County with recommendations to address each of the findings.

The segregation of duties finding discussed above is repeated from the prior year. The County Board of Supervisors and other elected officials have a fiduciary responsibility to provide oversight of the County's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

A copy of the audit report is available for review on the Auditor of State's web site at <https://auditor.iowa.gov/audit-reports>.

# # #

**AUDUBON COUNTY**

**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**

**JUNE 30, 2019**

**Audubon County**



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Rob Sand  
Auditor of State

June 9, 2020

Officials of Audubon County  
Audubon, Iowa

Dear Board Members:

I am pleased to submit to you the financial and compliance audit report for the Audubon County for the year ended June 30, 2019. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of the Audubon County throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink, appearing to read "Rob Sand". The signature is stylized with a large "R" and "S".

Rob Sand  
Auditor of State

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**Audubon County**

**Officials**

**(Before January 2019)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Gary VanAernam	Board of Supervisors	Jan 2019
Todd M. Nelsen	Board of Supervisors	Jan 2021
Rick Thompson	Board of Supervisors	Jan 2021
Lisa Frederiksen	County Auditor	Jan 2021
Debbie Campbell	County Treasurer	Jan 2019
Miranda Bills	County Recorder	Jan 2019
Todd Johnson	County Sheriff	Jan 2021
Sarah Jennings	County Attorney	Nov 2018
Debra Umland	County Assessor	Jan 2022

**(After January 2019)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Todd M. Nelsen	Board of Supervisors	Jan 2021
Rick Thompson	Board of Supervisors	Jan 2021
Gary VanAernam	Board of Supervisors	Jan 2023
Lisa Frederiksen	County Auditor	Jan 2021
Debbie Campbell	County Treasurer	Jan 2023
Miranda Bills	County Recorder	Jan 2023
Todd Johnson	County Sheriff	Jan 2021
Sarah Jennings	County Attorney	Jan 2023
Debra Umland	County Assessor	Jan 2022

**Audubon County**



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## Independent Auditor's Report

To the Officials of Audubon County:

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Audubon County, Iowa, as of and for the year ended June 30, 2019, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Audubon County as of June 30, 2019 and the respective changes in its financial position thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the County's Proportionate Share of the Net Pension Liability, the Schedule of County Contributions and the Schedule of Changes in the County's Total OPEB Liability, Related Ratios and Notes on pages 8 through 14 and 50 through 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

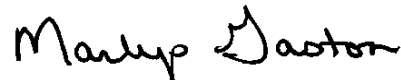
### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Audubon County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2018 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 9, 2020 on our consideration of Audubon County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Audubon County's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Marlys K. Gaston". The signature is written in a cursive, flowing style.

Marlys K. Gaston, CPA  
Deputy Auditor of State

June 9, 2020

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Audubon County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2019. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### 2019 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 4.7%, or approximately \$486,000, from fiscal year 2018 to fiscal year 2019. Property tax, including tax increment financing increased approximately \$442,000.
- Program expenses of the County's governmental activities were 2.8%, or approximately \$278,000, more in fiscal year 2019 than in fiscal year 2018. Roads and transportation expenses increased approximately \$501,000 and county environment and education expenses decreased approximately \$265,000.
- The County's net position increased 3.5%, or approximately \$681,000, from the June 30, 2018 balance.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Audubon County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Audubon County's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which Audubon County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, the County's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Changes in the County's Total OPEB Liability, Related Ratios and Notes.

Supplementary Information provides detailed information about the nonmajor governmental funds and the individual Agency Funds.

## **REPORTING THE COUNTY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statements*

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information which helps answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Position presents financial information on all of the County's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in the County's net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal years.

The County's governmental activities are presented in the Statement of Net Position and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration and interest on long-term debt. Property tax and state and federal grants finance most of these activities.

### *Fund Financial Statements*

The County has two kinds of funds:

- 1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund and 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 3) the Debt Service Fund and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for emergency management services, auto license and use tax and the County Assessor, to name a few.

The required financial statement for fiduciary funds is a Statement of Fiduciary Assets and Liabilities.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Audubon County's combined net position increased from approximately \$19.5 million to approximately \$20.2 million. The analysis that follows focuses on the changes in the net position of governmental activities.

Net Position of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2019	2018
Current and other assets	\$ 10,256	11,243
Capital assets	23,919	22,072
Total assets	34,175	33,315
Deferred outflows of resources	694	765
Long-term liabilities	9,233	9,752
Other liabilities	578	253
Total liabilities	9,811	10,005
Deferred inflows of resources	4,893	4,591
Net position:		
Net investment in capital assets	17,526	16,923
Restricted	2,953	3,303
Unrestricted	(313)	(742)
Total net position	\$ 20,165	19,484

Net position of Audubon County's governmental activities increased 3.5% (approximately \$20.2 million compared to approximately \$19.5 million).

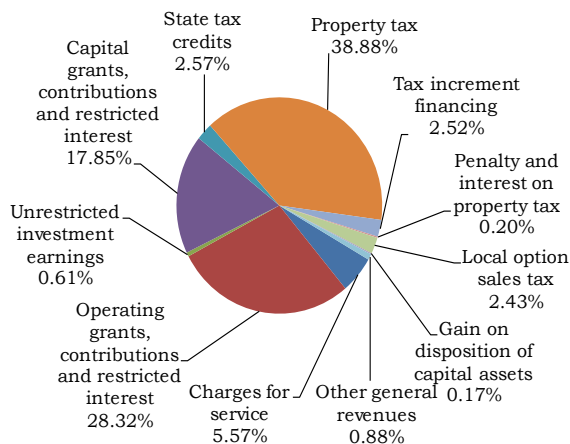
The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Restricted net position decreased 10.6% from the prior year primarily due to decreases in the balances of the Special Revenue, Mental Health and Secondary Roads Funds.

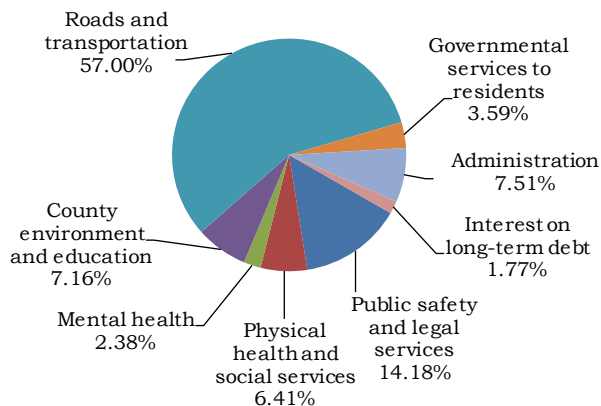
Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased from a deficit of approximately \$742,000 at June 30, 2018 to a deficit of approximately \$313,000 at the end of this year, an increase of 57.8%. The increase is mainly due to an increased balance in the General Fund and a decrease in the net pension liability from June 30, 2018 to June 30, 2019.

Changes in Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2019	2018
Revenues:		
Program revenues:		
Charges for service	\$ 608	613
Operating grants, contributions and restricted interest	3,093	2,859
Capital grants, contributions and restricted interest	1,950	2,084
General revenues:		
Property tax	4,245	3,876
Tax increment financing	275	202
Penalty and interest on property tax	22	21
State tax credits	280	251
Local option sales tax	265	248
Unrestricted investment earnings	67	48
Gain on disposition of capital assets	19	37
Other general revenues	96	195
Total revenues	10,920	10,434
Program expenses:		
Public safety and legal services	1,452	1,382
Physical health and social services	657	725
Mental health	244	173
County environment and education	733	998
Roads and transportation	5,836	5,335
Governmental services to residents	368	375
Administration	769	852
Interest on long-term debt	181	121
Total expenses	10,239	9,961
Change in net position	681	473
Net position beginning of year	19,484	19,011
Net position end of year	\$ 20,165	19,484

**Revenues by Source**



**Expenses by Function**



The County increased property tax rates for fiscal year 2019 by 1.35%. The overall rate increase, coupled with an increase in taxable valuation of approximately \$35,155,000, increased the County's property tax revenue approximately \$369,000 in fiscal year 2019.

The cost of all governmental activities this year was approximately \$10.2 million compared to approximately \$10.0 million last year. However, as shown in the Statement of Activities on page 17, the amount taxpayers ultimately financed for these activities was approximately \$4.6 million because some of the cost was paid by those directly benefited from the programs (approximately \$608,000) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$5,043,000). Overall, the County's governmental program revenues, including intergovernmental aid and charges for service, increased slightly in fiscal year 2019 from approximately \$5,556,000 to approximately \$5,651,000.

## **INDIVIDUAL MAJOR FUND ANALYSIS**

As Audubon County completed the year, its governmental funds reported a combined fund balance of approximately \$4.7 million, a decrease of approximately \$1.8 million from last year's total of approximately \$6.5 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues increased approximately \$442,000 over the prior year and expenditures decreased approximately \$127,000 from the prior year. The largest increase in revenues was property and other county tax with an increase of approximately \$336,000. The ending balance increased approximately \$157,000 over the prior year to approximately \$2,282,000.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, revenues decreased approximately \$110,000 due primarily to the County not levying property tax for fiscal year 2019. Expenditures totaled approximately \$240,000, an increase of approximately \$67,000 over the prior year, due primarily to an increase in distributions to the fiscal agent. The Special Revenue, Mental Health Fund balance at year end decreased approximately \$235,000 from the prior year to approximately \$567,000.
- Special Revenue, Rural Services Fund revenues and expenditures increased approximately \$151,000 and \$93,000, respectively. The increases were primarily due to increased property tax and increases in roads and transportation expenditures for construction of a storage building.
- Special Revenue, Secondary Roads Fund revenues increased only slightly, or approximately \$14,000 over the prior year. Expenditures decreased slightly, or approximately \$63,000 from the prior year. The Secondary Roads Fund ending balance decreased approximately \$190,000 to approximately \$1,026,000.
- The Debt Service Fund expenditures and transfers in were \$75,060.
- The Capital Projects Fund ending balance decreased \$1,440,698 to \$9,365 due to transfers out of \$1,460,131 to the General and Special Revenue, Secondary Roads Fund to reimburse those funds for project expenditures and to the Debt Service Fund to pay debt.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, Audubon County amended its budget one time. The amendment was made in May 2019 and resulted in an increase in budgeted disbursements in most all functions except the capital projects function which was reduced. The largest increase was in the roads and transportation function for parts and equipment purchases.

The County's receipts were \$249,870 more than budgeted, a variance of 2.9%. Total disbursements were \$746,454 less than the amended budget, a variance of 6.8%. Disbursements did not exceed the amounts budgeted.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2019, Audubon County had approximately \$23.9 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities and roads and bridges. This is a net increase (including additions and deletions) of approximately \$1,847,000, or 8.4%, over last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2019	2018
Land	\$ 931	931
Construction in progress	601	3,083
Buildings and improvements	717	607
Equipment and vehicles	2,252	2,562
Infrastructure, road network and other	19,418	14,889
Total	<u>\$ 23,919</u>	<u>22,072</u>

The County had depreciation expense of \$1,743,174 for fiscal year 2019 and total accumulated depreciation of \$15,319,655 at June 30, 2019. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

### **Long-Term Debt**

At June 30, 2019, Audubon County had approximately \$6,563,000 of general obligation bonds and other debt outstanding, compared to approximately \$7,038,000 at June 30, 2018, as shown below.

Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands)		
	June 30,	
	2019	2018
General obligation bonds	\$ 6,135	6,404
Capital lease purchase agreement	428	634
Total	<u>\$ 6,563</u>	<u>7,038</u>

The County continues to carry a general obligation bond rating of Aaa assigned by national rating agencies to the County's debt since 1995. The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Audubon County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$41 million. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.



## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

Audubon County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2020 budget, tax rates and fees charged for various County activities. One of those factors is the economy. Another major factor is the taxable valuation of property within the County. The taxable valuation for rural areas for fiscal year 2020 is up 3.29% to \$368 million and the countywide taxable valuation increased 3.64% to \$444 million.

Audubon County budgets on a cash basis. Budgeted disbursements for fiscal year 2020 are approximately \$9.6 million, a decrease of 12.8% from the final fiscal year 2019 budget. The operating ending balance is expected to decrease approximately \$1.1 million from the re-estimated June 30, 2019 balance. The fiscal year 2019 actual cash basis ending balance was \$4.6 million, approximately \$781,000 higher than projected, which will increase the estimated fiscal year 2020 ending balance accordingly.

## **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Audubon County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Audubon County Auditor's Office, 318 Leroy Street, #4, Audubon, Iowa 50025.

## **Basic Financial Statements**

Audubon County  
Statement of Net Position  
June 30, 2019

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash, cash equivalents and pooled investments	\$ 4,861,163
Receivables:	
Property tax:	
Delinquent	2,118
Succeeding year	4,314,000
Succeeding year tax increment financing	384,000
Interest and penalty on property tax	11,931
Accounts	24,801
Accrued interest	7,121
Due from other governments	260,220
Inventories	352,501
Prepaid expenses	38,586
Capital assets, net of accumulated depreciation	<u>23,918,923</u>
<b>Total assets</b>	<u>34,175,364</u>
<b>Deferred Outflows of Resources</b>	
Pension related deferred outflows	<u>693,790</u>
<b>Liabilities</b>	
Accounts payable	469,477
Accrued interest payable	7,331
Salaries and benefits payable	43,019
Due to other governments	57,731
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease purchase agreement	211,172
Bonds payable	170,000
Compensated absences	124,499
Portion due or payable after one year:	
Capital lease purchase agreement	216,984
Bonds payable	5,965,000
Compensated absences	147,106
Net pension liability	1,892,634
Total OPEB liability	<u>505,862</u>
<b>Total liabilities</b>	<u>9,810,815</u>
<b>Deferred Inflows of Resources</b>	
Unavailable property tax revenue	4,314,000
Unavailable tax increment financing	384,000
Pension related deferred inflows	<u>195,049</u>
<b>Total deferred inflows of resources</b>	<u>4,893,049</u>
<b>Net Position</b>	
Net investment in capital assets	17,525,767
Restricted for:	
Supplemental levy purposes	688,588
Mental health purposes	567,333
Rural services purposes	625,507
Secondary roads purposes	899,545
Conservation purposes	900
Debt service	15,407
Other purposes	155,258
Unrestricted	<u>(313,015)</u>
<b>Total net position</b>	<u>\$ 20,165,290</u>

See notes to financial statements.

Audubon County  
Statement of Activities  
Year ended June 30, 2019

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 1,451,863	118,443	3,313	-	(1,330,107)
Physical health and social services	657,126	207,236	57,688	-	(392,202)
Mental health	243,507	-	5,034	-	(238,473)
County environment and education	732,940	112,238	20,000	-	(600,702)
Roads and transportation	5,836,103	24,550	2,907,521	1,949,801	(954,231)
Governmental services to residents	367,565	122,621	47	-	(244,897)
Administration	768,914	22,941	-	-	(745,973)
Interest on long-term debt	181,435	-	99,189	-	(82,246)
Total	\$ 10,239,453	608,029	3,092,792	1,949,801	(4,588,831)
<b>General Revenues:</b>					
Property and other county tax levied for general purposes					4,244,559
Tax increment financing					274,941
Penalty and interest on property tax					22,038
State tax credits					280,477
Local option sales tax					265,405
Unrestricted investment earnings					66,612
Gain on disposition of capital assets					18,975
Miscellaneous					97,305
Total general revenues					5,270,312
Change in net position					681,481
Net position beginning of year					19,483,809
Net position end of year					\$ 20,165,290

See notes to financial statements.

Audubon County  
Balance Sheet  
Governmental Funds

June 30, 2019

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
<b>Assets</b>				
Cash, cash equivalents and pooled investments	\$ 2,307,856	567,891	658,817	879,625
Receivables:				
Property tax:				
Delinquent	1,981	-	137	-
Succeeding year	2,645,000	-	1,669,000	-
Succeeding year tax increment financing	-	-	-	-
Interest and penalty on property tax	11,931	-	-	-
Accounts	23,208	-	219	1,250
Accrued interest	7,109	-	-	-
Due from other governments	15,962	-	-	244,258
Inventories	-	-	-	352,501
Prepaid expenditures	23,111	-	-	15,475
<b>Total assets</b>	<b>\$ 5,036,158</b>	<b>567,891</b>	<b>2,328,173</b>	<b>1,493,109</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 17,359	94	2,136	449,618
Salaries and benefits payable	20,536	464	4,833	17,186
Due to other governments	57,201	-	-	530
<b>Total liabilities</b>	<b>95,096</b>	<b>558</b>	<b>6,969</b>	<b>467,334</b>
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	2,645,000	-	1,669,000	-
Succeeding year tax increment financing	-	-	-	-
Other	13,912	-	137	-
<b>Total deferred inflows of resources</b>	<b>2,658,912</b>	<b>-</b>	<b>1,669,137</b>	<b>-</b>
Fund balances:				
Nonspendable:				
Inventories	-	-	-	352,501
Prepaid expenditures	23,111	-	-	15,475
Restricted for:				
Supplemental levy purposes	704,301	-	109,033	-
Mental health purposes	-	567,333	-	-
Rural services purposes	-	-	543,034	-
Secondary road purposes	-	-	-	657,799
Conservation land acquisition	900	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Other purposes	-	-	-	-
Assigned for:				
Sheriff	42,551	-	-	-
Fairboard	22,000	-	-	-
Park improvements	125,054	-	-	-
Economic development	656	-	-	-
Jail commissary	2,471	-	-	-
Unassigned	1,361,106	-	-	-
<b>Total fund balances</b>	<b>2,282,150</b>	<b>567,333</b>	<b>652,067</b>	<b>1,025,775</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 5,036,158</b>	<b>567,891</b>	<b>2,328,173</b>	<b>1,493,109</b>

See notes to financial statements.

Capital Projects	Nonmajor	Total
9,365	168,765	4,592,319
-	-	2,118
-	-	4,314,000
-	384,000	384,000
-	-	11,931
-	124	24,801
-	12	7,121
-	-	260,220
-	-	352,501
-	-	38,586
9,365	552,901	9,987,597
-	270	469,477
-	-	43,019
-	-	57,731
-	270	570,227
-	-	4,314,000
-	384,000	384,000
-	-	14,049
-	384,000	4,712,049
-	-	352,501
-	-	38,586
-	-	813,334
-	-	567,333
-	-	543,034
-	-	657,799
-	-	900
-	22,738	22,738
9,365	-	9,365
-	145,893	145,893
-	-	42,551
-	-	22,000
-	-	125,054
-	-	656
-	-	2,471
-	-	1,361,106
9,365	168,631	4,705,321
9,365	552,901	9,987,597

**Audubon County**

Audubon County  
 Reconciliation of the Balance Sheet –  
 Governmental Funds to the Statement of Net Position

June 30, 2019

**Total governmental fund balances (page 19)** \$ 4,705,321

***Amounts reported for governmental activities in the Statement of  
 Net Position are different because:***

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$39,238,578 and the accumulated depreciation is \$15,319,655. 23,918,923

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. 14,049

The Internal Service Fund is used by management to charge the costs of partial self-funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position. 268,844

Pension deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

Deferred outflows of resources	693,790	
Deferred inflows of resources	<u>(195,049)</u>	498,741

Long-term liabilities, including capital lease purchase agreement payable, bonds payable, net pension liability, total OPEB liability, compensated absences payable and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (9,240,588)

**Net position of governmental activities (page 16)** \$ 20,165,290

See notes to financial statements.



Audubon County  
Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Governmental Funds

Year ended June 30, 2019

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 2,614,653	-	1,630,523	-
Tax increment financing	-	-	-	-
Local option sales tax	-	-	-	265,405
Interest and penalty on property tax	20,762	-	-	-
Intergovernmental	492,105	5,034	94,508	2,912,877
Licenses and permits	13,993	-	-	20,175
Charges for service	316,825	-	-	-
Use of money and property	80,553	-	-	-
Miscellaneous	147,957	-	6,572	36,331
Total revenues	3,686,848	5,034	1,731,603	3,234,788
Expenditures:				
Operating:				
Public safety and legal services	1,165,024	-	244,492	-
Physical health and social services	675,267	-	-	-
Mental health	-	240,102	-	-
County environment and education	424,949	-	155,539	-
Roads and transportation	-	-	494,151	4,205,081
Governmental services to residents	368,580	-	915	-
Administration	749,883	-	12,087	-
Debt service	139,189	-	-	-
Capital projects	23,403	-	349	1,360,403
Total expenditures	3,546,295	240,102	907,533	5,565,484
Excess (deficiency) of revenues over (under) expenditures	140,553	(235,068)	824,070	(2,330,696)
Other financing sources (uses):				
Transfers in	28,000	-	-	2,132,071
Transfers out	(11,311)	-	(775,000)	-
Sale of capital assets	-	-	275	8,975
Total other financing sources (uses)	16,689	-	(774,725)	2,141,046
Change in fund balances	157,242	(235,068)	49,345	(189,650)
Fund balances beginning of year	2,124,908	802,401	602,722	1,215,425
Fund balances end of year	\$ 2,282,150	567,333	652,067	1,025,775

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
-	-	-	4,245,176
-	-	274,941	274,941
-	-	-	265,405
-	-	-	20,762
-	-	21,857	3,526,381
-	-	-	34,168
-	-	1,637	318,462
-	8,122	250	88,925
-	-	125	190,985
-	8,122	298,810	8,965,205
-	-	68,828	1,478,344
-	-	-	675,267
-	-	-	240,102
-	-	55,674	636,162
-	-	-	4,699,232
-	-	400	369,895
-	-	-	761,970
75,060	-	296,845	511,094
-	-	-	1,384,155
75,060	-	421,747	10,756,221
(75,060)	8,122	(122,937)	(1,791,016)
75,060	11,311	-	2,246,442
-	(1,460,131)	-	(2,246,442)
-	-	-	9,250
75,060	(1,448,820)	-	9,250
-	(1,440,698)	(122,937)	(1,781,766)
-	1,450,063	291,568	6,487,087
-	9,365	168,631	4,705,321

## Audubon County

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances –  
Governmental Funds to the Statement  
of Activities

Year ended June 30, 2019

**Change in fund balances - Total governmental funds (page 23)** \$ (1,781,766)***Amounts reported for governmental activities in the Statement of  
Activities are different because:***

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 1,644,503	
Capital assets contributed by the Iowa Department of Transportation	1,935,820	
Depreciation expense	<u>(1,743,174)</u>	1,837,149

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources.

10,000

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are recognized as deferred inflows of resources in the governmental funds, as follows:

Property and other county tax	(617)	
Other	<u>1,276</u>	659

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

474,709

The current year County share of IPERS contributions are reported as expenditures in the governmental funds but are reported as a deferred outflow of resources in the Statement of Net Position.

275,727

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	(48,663)	
OPEB expense	(83,811)	
Pension expense	(304,226)	
Interest on long-term debt	<u>60,470</u>	(376,230)

The Internal Service Fund is used by management to charge the costs of the partial self-funding of the County's health insurance benefit plan to individual funds. The change in net position of the Internal Service Fund is reported with governmental activities.

241,233

**Change in net position of governmental activities (page 17)** **\$ 681,481**

See notes to financial statements.

Audubon County  
Statement of Net Position  
Proprietary Fund  
June 30, 2019

	<u>Internal Service - Health Reserve Account</u>
<b>Assets</b>	
Cash and cash equivalents	<u>\$ 268,844</u>
<b>Net Position</b>	
Unrestricted	<u>\$ 268,844</u>

## Audubon County

Statement of Revenues, Expenses  
and Changes in Fund Net Position  
Proprietary Fund

Year ended June 30, 2019

	<u>Internal Service - Health Reserve Account</u>
Operating revenues:	
Reimbursements from operating funds	<u>\$ 329,398</u>
Operating expenses:	
Medical claims	84,498
Administrative and other fees	<u>3,667</u>
Total operating expenses	<u>88,165</u>
Operating/net income	241,233
Net position beginning of year	<u>27,611</u>
Net position end of year	<u><u>\$ 268,844</u></u>

## Audubon County

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2019

	<u>Internal Service - Health Reserve Account</u>
Cash flows from operating activities:	
Cash received from operating fund contributions	\$ 329,398
Cash paid to suppliers for services	<u>(88,165)</u>
Net cash provided by operating activities	241,233
Cash and cash equivalents beginning of year	<u>27,611</u>
Cash and cash equivalents end of year	<u><u>\$ 268,844</u></u>

**Audubon County**

Audubon County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2019

**Assets**

Cash, cash equivalents and pooled investments:

County Treasurer \$ 1,044,105

Receivables:

Property tax:

Delinquent 9,922

Succeeding year 8,288,000

Accounts 4,507

Accrued interest 379

Special assessments 1,886

Due from other governments 56,445

Prepaid expenses 7,719

**Total assets**

9,412,963

**Liabilities**

Liabilities:

Accounts payable 285

Salaries and benefits payable 315

Due to other governments 9,348,444

Trusts payable 48,299

Compensated absences 15,620

**Total liabilities**

9,412,963

**Net position**

\$ -

See notes to financial statements.



Audubon County

Notes to Financial Statements

June 30, 2019

**(1) Summary of Significant Accounting Policies**

Audubon County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, Audubon County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County. The County has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: County Assessor's Conference Board, County Emergency Management Commission, County Public Safety Commission, County Joint 911 Service Board, County Solid Waste Commission and the Audubon County Airport Authority. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

**B. Basis of Presentation**

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the County. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other non-exchange transactions.

The Statement of Net Position presents the County's non-fiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues to be used to fund mental health, intellectual disabilities and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the Special Revenue, Rural Services Fund and other revenues to be used for secondary road construction and maintenance.

Additionally, the County reports the following funds:

Fiduciary Funds – Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned and then unassigned fund balances.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at amortized cost.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax and tax increment financing receivables represent taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax and tax increment financing receivables have been recorded, the related revenue is reported as a deferred inflow of resources in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which they are levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2017 assessed property valuations; is for the tax accrual period July 1, 2018 through June 30, 2019 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2018.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Special Assessments Receivable – Special assessments receivable represent the amounts due from individuals for work done which benefits their property. These special assessments are payable by individuals in no more than 15 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Special assessments receivable represent assessments which have been made but have not been collected.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, furniture and equipment and intangibles acquired after July 1, 1980 are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure, roads	\$ 50,000
Intangibles	50,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful lives (In Years)
Buildings	20 - 50
Building improvements	20 - 50
Infrastructure	30 - 65
Intangibles	5 - 20
Equipment	3 - 20
Vehicles	5 - 20

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position applicable to a future year(s) which will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the County after the measurement date but before the end of the County's reporting period.

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2019. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Rural Services and Secondary Roads Funds.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Rural Services and Secondary Roads Funds.

Total OPEB Liability – For purposes of measuring the total OPEB liability, and OPEB expense, information has been determined based on the Audubon County's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

Deferred Inflows of Resources – Deferred inflows of resources represents an acquisition of net position applicable to the future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the fund financial statements consist of property tax receivable and other receivables not collected within sixty days after year end and succeeding year property tax and tax increment financing receivables that will not be recognized until the year for which they are levied.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax and tax increment financing receivables that will not be recognized until the year for which they are levied, unrecognized items not yet charged to pension expense and the unamortized portion of the net difference between projected and actual earnings on pension plan assets.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Board of Supervisors intend to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

**(2) Cash, Cash Equivalents and Pooled Investments**

The County's deposits in banks at June 30, 2019 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$100,105. There were no limitations or restrictions on withdrawals for the IPAIT investments. The County's investment in IPAIT is unrated.

### (3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2019 is as follows:

Transfer to	Transfer from	Amount
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$ 775,000
	Capital Projects	1,357,071
		<u>2,132,071</u>
General Fund	Capital Projects	28,000
Capital Projects	General Fund	11,311
Debt Service	Capital Projects	75,060
Total		<u>\$ 2,246,442</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

### (4) Capital Assets

Capital assets activity for the year ended June 30, 2019 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 930,886	-	-	930,886
Construction in progress	3,083,057	3,281,087	5,763,628	600,516
Total capital assets not being depreciated	<u>4,013,943</u>	<u>3,281,087</u>	<u>5,763,628</u>	<u>1,531,402</u>
Capital assets being depreciated:				
Buildings	1,316,043	144,584	-	1,460,627
Building improvements	205,035	-	-	205,035
Equipment and vehicles	6,818,050	164,652	93,462	6,889,240
Infrastructure, roads	22,073,657	5,763,628	-	27,837,285
Infrastructure, other	1,314,989	-	-	1,314,989
Total capital assets being depreciated	<u>31,727,774</u>	<u>6,072,864</u>	<u>93,462</u>	<u>37,707,176</u>
Less accumulated depreciation for:				
Buildings	709,134	34,674	-	743,808
Building improvements	205,035	-	-	205,035
Equipment and vehicles	4,256,495	474,002	93,462	4,637,035
Infrastructure, roads	7,747,677	1,169,999	-	8,917,676
Infrastructure, other	751,602	64,499	-	816,101
Total accumulated depreciation	<u>13,669,943</u>	<u>1,743,174</u>	<u>93,462</u>	<u>15,319,655</u>
Total capital assets being depreciated, net	<u>18,057,831</u>	<u>4,329,690</u>	<u>-</u>	<u>22,387,521</u>
Governmental activities capital assets, net	<u>\$ 22,071,774</u>	<u>7,610,777</u>	<u>5,763,628</u>	<u>23,918,923</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 54,458
County environment and education	75,540
Roads and transportation	1,589,644
Administration	<u>23,532</u>
Total depreciation expense - governmental activities	<u>\$ 1,743,174</u>

The County acquired five motor graders for Secondary Roads under a capital lease purchase agreement. The cost of the equipment was \$1,435,792 and the accumulated depreciation at June 30, 2019 was \$516,985.



## (5) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2019 is as follows:

Fund	Description	Amount
General	Services	\$ 57,201
Special Revenue:		
Secondary Roads	Services	530
Total for governmental funds		<u>\$ 57,731</u>
Agency:		
County Offices	Collections	\$ 11,547
Agriculture Extension Education		130,548
County Assessor		341,750
County Hospital		1,056,570
Schools		4,987,748
Community Colleges		299,452
Corporations		1,388,812
Townships		224,494
Auto License and Use Tax		183,819
All other		<u>723,704</u>
Total for agency funds		<u>\$ 9,348,444</u>

## (6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2019 is as follows:

	General Obligation Economic Development Bonds	General Obligation Urban Renewal Bonds	Capital Lease Purchase Agreement	Compensated Absences	Net Pension Liability	Total OPEB Liability	Total
Balance beginning of year	\$ 139,189	6,265,000	633,676	222,942	2,069,142	422,051	9,752,000
Increases	-	-	-	169,194	-	83,811	253,005
Decreases	139,189	130,000	205,520	120,531	176,508	-	771,748
Balance end of year	\$ -	6,135,000	428,156	271,605	1,892,634	505,862	9,233,257
Due within one year	\$ -	170,000	211,172	124,499	-	-	505,671

### General Obligation Bonds

In February 2018, the County issued \$6,265,000 of general obligation urban renewal bonds for the purpose of paying costs of carrying out projects in the Audubon County consolidation urban renewal area consisting of construction, reconstruction and improvement of county roads and making an economic development grant to Audubon County Economic Development.

Details of the general obligation bonds outstanding at June 30, 2019 are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2020	3.00%	\$ 170,000	184,538	354,538
2021	3.00	265,000	179,438	444,438
2022	3.00	315,000	171,487	486,487
2023	3.00	325,000	162,037	487,037
2024	3.00	335,000	152,288	487,288
2025-2029	3.00	1,835,000	604,537	2,439,537
2030-2034	3.00	2,125,000	313,238	2,438,238
2035-2036	3.00	765,000	800,625	1,565,625
		<u>\$ 6,135,000</u>	<u>2,568,188</u>	<u>8,703,188</u>

During the year ended June 30, 2019, \$130,000 of bonds were retired and interest of \$241,305 was paid.

#### Capital Lease Purchase Agreement

The County has entered into a capital lease purchase agreement to lease 5 motor graders with historical cost of \$1,435,792. The following is a schedule of the future minimum lease payments, including interest at 2.75% per annum, and the present value of net minimum lease payments under the agreement in effect at June 30, 2019:

Year Ending June 30,	Motor Graders
2020	\$ 222,946
2021	<u>222,951</u>
Total minimum lease payments	445,897
Less amount representing interest	<u>(17,741)</u>
Present value of net minimum lease payments	<u><u>\$ 428,156</u></u>

#### **(7) Pension Plan**

Plan Description – IPERS membership is mandatory for employees of the County, except for those covered by another retirement system. Employees of the County are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at PO Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Sheriffs, deputies and protection occupation members may retire at normal retirement age, which is generally at age 55. Sheriffs, deputies and protection occupation members may retire any time after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a sheriff's, deputy's or protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member received benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contributions rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2019, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the County contributed 9.44% of covered payroll, for a total rate of 15.73%. The Sheriff, deputies and the County each contributed 9.76% of covered payroll, for a total rate of 19.52%. Protection occupation members contributed 6.81% of covered payroll and the County contributed 10.21% of covered payroll, for a total rate of 17.02%.

The County's contributions to IPERS for the year ended June 30, 2019 totaled \$275,727.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2019, the County reported a liability of \$1,892,634 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2019, the County's collective proportion was 0.029908%, which was an increase of 0.001154% from its collective proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the County recognized pension expense of \$304,226. At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 16,867	56,479
Changes of assumptions	336,393	66,266
Net difference between projected and actual earnings on IPERS' investments	-	69,578
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	64,803	2,726
County contributions subsequent to the measurement date	275,727	-
Total	<u>\$ 693,790</u>	<u>195,049</u>

\$275,727 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2020	\$ 166,966
2021	88,584
2022	(19,006)
2023	(8,772)
2024	(4,758)
Total	<u>\$ 223,014</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2018 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	6.01%
International equity	15.0	6.48
Global smart beta equity	3.0	6.23
Core plus fixed income	27.0	1.97
Public credit	3.5	3.93
Public real assets	7.0	2.91
Cash	1.0	(0.25)
Private equity	11.0	10.81
Private real assets	7.5	4.14
Private credit	3.0	3.11
Total	100.0%	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the County will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
County's proportionate share of the net pension liability	\$ 3,570,438	1,892,634	485,478

IPERS Fiduciary Net Position – Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

Payables to IPERS – All legally required County contributions and legally required employee contributions which had been withheld from employee wages were remitted by the County to IPERS by June 30, 2019.

#### **(8) Other Postemployment Benefits (OPEB)**

Plan Description – The County administers a single-employer benefit plan which provides medical, prescription drug and dental benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by Audubon County and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical, prescription drug and dental benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Retired participants must be age 55 or older at retirement. At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	-
Active employees	58
Total	58

Total OPEB Liability – The County's total OPEB liability of \$505,862 was measured as of June 30, 2019 and was determined by an actuarial valuation as of July 1, 2018. The total OPEB liability was rolled forward from the July 1, 2018 valuation date to the June 30, 2019 measurement date.

Actuarial Assumptions – The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation (effective July 1, 2018)	2.60% per annum.
Rates of salary increase (effective July 1, 2018)	3.25% per annum, including inflation.
Discount rate (effective July 1, 2018)	3.51% compounded annually, including inflation.
Healthcare cost trend rate (effective July 1, 2018)	8.50% initial rate decreasing by .5% annually to an ultimate rate of 5.00%.

Discount Rate – The discount rate used to measure the total OPEB liability was 3.51% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the SOA RPH-2017 total dataset mortality table fully generational using Scale MP-2017. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study with dates corresponding to those listed above.

Changes in the Total OPEB Liability

	Total OPEB Liability
Total OPEB liability beginning of year	\$ 422,051
Changes for the year:	
Service cost	45,878
Interest	17,815
Differences between expected and actual experiences	24,618
Changes in assumptions	10,822
Benefit payments	(15,322)
Net changes	83,811
Total OPEB liability end of year	\$ 505,862

Changes of assumptions reflect a change in the discount rate from 3.87% in fiscal year 2018 to 3.51% in fiscal year 2019.

Sensitivity of the County's Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.51%) or 1% higher (4.51%) than the current discount rate.

	1% Decrease (2.51%)	Discount Rate (3.51%)	1% Increase (4.51%)
Total OPEB liability	\$ 537,342	505,862	476,450

Sensitivity of the County's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (7.50%) or 1% higher (9.50%) than the current healthcare cost trend rates.

	1% Decrease (7.50%)	Healthcare Cost Trend Rate (8.50%)	1% Increase (9.50%)
Total OPEB liability	\$ 462,172	505,862	556,222

OPEB Expense – For the year ended June 30, 2019, the County recognized OPEB expense of \$83,811. Under the alternative measurement method, all deferred outflows/inflows of resources related to OPEB are fully recognized immediately.

#### **(9) Voluntary Termination Benefit Program for the County Engineer's and Sheriff's Offices**

A voluntary termination benefit program has been established for County employees who are covered by the County Engineer Union contract and the County Sheriff Union contract. The program allows employees who are eligible, upon a bona fide retirement, to use the value of their unused sick leave to pay towards the purchase of health insurance after their retirement.

Upon retirement, employees with at least 15 years of service may convert 25% of their accumulated, unused sick leave at their current regular hourly rate of pay.

The final calculated dollar value will be credited to the employee's Sick Leave Upon Retirement account. Each month, the County will pay 100% of the employee's monthly health insurance premium from the retiree's Sick Leave Upon Retirement account.

The employer will continue to pay the employee's monthly health insurance premium each month until the converted value of the retiree's Sick Leave Upon Retirement balance is exhausted.

All program benefits are financed on a pay-as-you-go basis by the County. A liability of \$94,286 has been included in compensated absences on the Statement of Net Position.

During the year ended June 30, 2019, one employee received benefits totaling \$2,515 under the Sick Leave Upon Retirement program.



## **(10) Risk Management**

The County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 778 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expense for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the Pool are recorded as expenditures from its operating funds at the time of payment to the Pool. The County's contributions to the Pool for the year ended June 30, 2019 were \$119,316.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$500,000 per claim. Claims exceeding \$500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the County's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2019, no liability has been recorded in the County's financial statements. As of June 30, 2019, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$1,000,000 and \$100,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

#### **(11) Tax Abatements**

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

##### **County Tax Abatements**

The County provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the County enters into agreements with developers which require the County, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or to pay the developers a predetermined dollar amount. No other commitments were made by the County as part of these agreements.

For the year ended June 30, 2019, the County abated \$25,074 of property tax was diverted from the County under the urban renewal projects.

#### **(12) Development Agreement**

The County agreed to rebate 50% of the incremental property tax paid by West Central Cooperative Inc., up to a maximum of \$55,674 per year, in exchange for the costs of certain improvements. The incremental property tax to be received by the County under Chapter 403.19 of the Code of Iowa from the developer will be rebated to West Central Cooperative, Inc. for a period not to exceed 10 years or in a cumulative amount not to exceed a total of \$325,000. The payments will be made on December 1 and June 1 of each fiscal year, beginning on December 1, 2013.

The total rebated during the year ended June 30, 2020 was \$55,674 and the cumulative rebated amount is \$287,341.

**(13) Audubon County Financial Information Included in the Heart of Iowa Community Services Mental Health Region**

Heart of Iowa Community Services Mental Health Region, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa which became effective July 10, 2016, includes the following member counties: Dallas, Greene, Guthrie and Audubon County. The financial activity of Audubon County's Special Revenue, Mental Health Fund is included in the Heart of Iowa Community Services Mental Health Region for the year ended June 30, 2019, as follows:

Revenues:	
Intergovernmental:	
Other	\$ 5,034
Expenditures:	
Services to persons with:	
Mental illness	6,142
General administration:	
Distribution to regional fiscal agent	233,960
Total expenditures	240,102
Deficiency of revenues under expenditures	(235,068)
Fund balance beginning of year	802,401
Fund balance end of year	\$ 567,333

**(14) Subsequent Event**

The COVID-19 outbreak is disrupting business across a range of industries in the United States and financial markets have experienced a significant decline. As a result, local, regional and national economies, including that of Audubon County, may be adversely impacted. The extent of the financial impact of COVID-19 will depend on future developments, including the duration and spread, which are uncertain and cannot be predicted. Due to the uncertainties surrounding the outbreak, management cannot presently estimate the potential impact to the County's operations and finances.

### **Required Supplementary Information**

Audubon County

Budgetary Comparison Schedule of  
Receipts, Disbursements and Changes in Balances –  
Budget and Actual (Cash Basis) – All Governmental Funds

Required Supplementary Information

Year ended June 30, 2019

	Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
Receipts:				
Property and other county tax	\$ 4,779,091	4,796,212	4,796,212	(17,121)
Interest and penalty on property tax	20,762	-	-	20,762
Intergovernmental	3,516,864	3,525,736	3,475,736	41,128
Licenses and permits	34,395	10,000	40,000	(5,605)
Charges for service	317,026	209,460	213,460	103,566
Use of money and property	87,557	20,528	28,583	58,974
Miscellaneous	81,196	1,030	33,030	48,166
Total receipts	8,836,891	8,562,966	8,587,021	249,870
Disbursements:				
Public safety and legal services	1,481,456	1,639,008	1,684,408	202,952
Physical health and social services	681,969	751,238	769,518	87,549
Mental health	239,965	158,862	255,862	15,897
County environment and education	656,634	897,111	668,111	11,477
Roads and transportation	4,376,672	4,171,808	4,435,958	59,286
Governmental services to residents	380,357	416,630	425,644	45,287
Administration	729,232	915,978	949,307	220,075
Nonprogram	-	100	100	100
Debt service	375,237	371,805	380,610	5,373
Capital projects	1,381,031	1,477,489	1,479,489	98,458
Total disbursements	10,302,553	10,800,029	11,049,007	746,454
Excess (deficiency) of receipts over (under) disbursements	(1,465,662)	(2,237,063)	(2,461,986)	996,324
Other financing sources, net	9,250	-	-	9,250
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(1,456,412)	(2,237,063)	(2,461,986)	1,005,574
Balance beginning of year	6,048,731	5,383,752	5,818,663	230,068
Balance end of year	\$ 4,592,319	3,146,689	3,356,677	1,235,642

See accompanying independent auditor's report.

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Audubon County

Budgetary Comparison Schedule - Budget to GAAP Reconciliation  
Required Supplementary Information

Year ended June 30, 2019

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 8,836,891	128,314	8,965,205
Expenditures	10,302,553	453,668	10,756,221
Net	(1,465,662)	(325,354)	(1,791,016)
Other financing sources, net	9,250	-	9,250
Beginning fund balances	6,048,731	438,356	6,487,087
Ending fund balances	<u>\$ 4,592,319</u>	<u>113,002</u>	<u>4,705,321</u>

See accompanying independent auditor's report.

Audubon County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2019

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except Agency Funds and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund and the Special Revenue Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$248,978. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the 911 System by the Joint 911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2019, disbursements did not exceed the amounts budgeted.

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Audubon County

Schedule of the County's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System  
For the Last Five Years\*  
(In Thousands)

Required Supplementary Information

	2019	2018	2017	2016	2015
County's proportion of the net pension liability	0.029908%	0.031062%	0.030089%	0.028348%	0.026995%
County's proportionate share of the net pension liability	\$ 1,893	2,069	1,894	1,400	1,071
County's covered payroll	\$ 2,745	2,650	2,492	2,384	2,295
County's proportionate share of the net pension liability as a percentage of its covered payroll	68.96%	78.08%	76.00%	58.72%	46.67%
IPERS' net position as a percentage of the total pension liability	83.62%	82.21%	81.82%	85.19%	87.61%

\* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.



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Audubon County

Schedule of County Contributions

Iowa Public Employees' Retirement System  
For the Last Ten Years  
(In Thousands)

Required Supplementary Information

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statutorily required contribution	\$ 276	248	242	227
Contributions in relation to the statutorily required contribution	<u>(276)</u>	<u>(248)</u>	<u>(242)</u>	<u>(227)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
County's covered payroll	\$ 2,895	2,745	2,650	2,492
Contributions as a percentage of covered payroll	9.53%	9.03%	9.13%	9.11%

See accompanying independent auditor's report.



Audubon County

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2019

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

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Audubon County  
Schedule of Changes in the County's  
Total OPEB Liability, Related Ratios and Notes  
For the Current Year  
Required Supplementary Information

	<u>2019</u>
Service cost	\$ 45,878
Interest cost	17,815
Difference between expected and actual experiences	24,618
Changes in assumptions	10,822
Benefit payments	<u>(15,322)</u>
Net change in total OPEB liability	<u>83,811</u>
Total OPEB liability beginning of year	<u>422,051</u>
Total OPEB liability end of year	<u>\$ 505,862</u>
Covered-employee payroll	\$ 2,653,580
Total OPEB liability as a percentage of covered-employee payroll	19.1%

**Notes to Schedule of Changes in the County's Total OPEB Liability and Related Ratios**

*Changes in benefit terms:*

There were no significant changes in benefit terms.

*Changes in assumptions:*

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

Year ended June 30, 2019	3.51%
Year ended June 30, 2018	3.87%
Year ended June 30, 2017	3.58%

**Audubon County**

## **Supplementary Information**

Audubon County  
Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2019

			Special
	Resource Enhancement and Protection	County Recorder's Records Management	Forfeiture
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$ 50,461	2,320	33,316
Receivables:			
Succeeding year tax increment financing	-	-	-
Accounts receivable	-	124	-
Accrued interest	-	1	-
<b>Total assets</b>	<b>\$ 50,461</b>	<b>2,445</b>	<b>33,316</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ -	-	-
Deferred inflows of resources:			
Unavailable succeeding year tax increment financing	-	-	-
Fund balances:			
Restricted for:			
Debt service	-	-	-
Other purposes	50,461	2,445	33,316
Total fund balances	50,461	2,445	33,316
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 50,461</b>	<b>2,445</b>	<b>33,316</b>

See accompanying independent auditor's report.

Revenue				
AAE Task Force	Equitable Sharing - Sheriff	Equitable Sharing - Attorney	Tax Increment Financing	Total
3,379	40,342	16,209	22,738	168,765
-	-	-	384,000	384,000
-	-	-	-	124
-	8	3	-	12
3,379	40,350	16,212	406,738	552,901
-	270	-	-	270
-	-	-	384,000	384,000
-	-	-	22,738	22,738
3,379	40,080	16,212	-	145,893
3,379	40,080	16,212	22,738	168,631
3,379	40,350	16,212	406,738	552,901



Audubon County

Combining Schedule of Revenues, Expenditures and  
Changes in Fund Balances  
Nonmajor Governmental Funds

Year ended June 30, 2019

	Special		
	Resource Enhancement and Protection	County Recorder's Records Management	Forfeiture
Revenues:			
Tax increment financing	\$ -	-	-
Intergovernmental	7,330	-	-
Charges for service	-	1,637	-
Use of money and property	24	3	-
Miscellaneous	-	-	-
Total revenues	7,354	1,640	-
Expenditures:			
Operating:			
Public safety and legal services	-	-	-
County environment and education	-	-	-
Governmental services to residents	-	400	-
Debt service	-	-	-
Total expenditures	-	400	-
Change in fund balances	7,354	1,240	-
Fund balances beginning of year	43,107	1,205	33,316
Fund balances end of year	\$ 50,461	2,445	33,316

See accompanying independent auditor's report.

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Revenue

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AAE Task Force	Equitable Sharing - Sheriff	Equitable Sharing - Attorney	Tax Increment Financing	Total
-	-	-	274,941	274,941
-	-	-	14,527	21,857
-	-	-	-	1,637
-	185	38	-	250
125	-	-	-	125
125	185	38	289,468	298,810
-	65,709	3,119	-	68,828
-	-	-	55,674	55,674
-	-	-	-	400
-	-	-	296,845	296,845
-	65,709	3,119	352,519	421,747
125	(65,524)	(3,081)	(63,051)	(122,937)
3,254	105,604	19,293	85,789	291,568
3,379	40,080	16,212	22,738	168,631

Audubon County

Combining Schedule of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2019

	County Offices	Agricultural Extension Education	County Assessor	County Hospital	Schools
<b>Assets</b>					
Cash, cash equivalents and pooled investments:					
County Treasurer	\$ 11,547	456	103,032	3,802	18,073
Receivables:					
Property tax:					
Delinquent	-	92	179	768	3,675
Succeeding year	-	130,000	247,000	1,052,000	4,966,000
Accounts	-	-	-	-	-
Accrued interest	-	-	-	-	-
Special assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
Prepaid expenses	-	-	7,719	-	-
<b>Total assets</b>	<b>\$ 11,547</b>	<b>130,548</b>	<b>357,930</b>	<b>1,056,570</b>	<b>4,987,748</b>
<b>Liabilities</b>					
Accounts payable	\$ -	-	245	-	-
Salaries and benefits payable	-	-	315	-	-
Due to other governments	11,547	130,548	341,750	1,056,570	4,987,748
Trusts payable	-	-	-	-	-
Compensated absences	-	-	15,620	-	-
<b>Total liabilities</b>	<b>\$ 11,547</b>	<b>130,548</b>	<b>357,930</b>	<b>1,056,570</b>	<b>4,987,748</b>

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
1,238	13,838	475	183,819	707,825	1,044,105
214	4,974	19	-	1	9,922
298,000	1,370,000	224,000	-	1,000	8,288,000
-	-	-	-	4,507	4,507
-	-	-	-	379	379
-	-	-	-	1,886	1,886
-	-	-	-	56,445	56,445
-	-	-	-	-	7,719
299,452	1,388,812	224,494	183,819	772,043	9,412,963
-	-	-	-	40	285
-	-	-	-	-	315
299,452	1,388,812	224,494	183,819	723,704	9,348,444
-	-	-	-	48,299	48,299
-	-	-	-	-	15,620
299,452	1,388,812	224,494	183,819	772,043	9,412,963

Audubon County

Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2019

	County Offices	Agricultural Extension Education	County Assessor	County Hospital	Schools
<b>Assets and Liabilities</b>					
Balances beginning of year	\$ 12,268	121,487	324,424	1,016,054	4,813,317
Additions:					
Property and other county tax	-	130,670	247,700	1,053,922	4,973,957
911 surcharge	-	-	-	-	-
State tax credits	-	8,582	16,696	71,517	338,065
Office fees and collections	212,834	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	9,268	-	-	-	-
Miscellaneous	-	-	213	-	-
Total additions	222,102	139,252	264,609	1,125,439	5,312,022
Deductions:					
Agency remittances:					
To other funds	77,697	-	-	-	-
To other governments	135,312	130,191	231,103	1,084,923	5,137,591
Trusts paid out	9,814	-	-	-	-
	222,823	130,191	231,103	1,084,923	5,137,591
Balances end of year	\$ 11,547	130,548	357,930	1,056,570	4,987,748

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
303,176	1,285,782	219,320	169,313	666,673	8,931,814
298,091	1,403,635	212,795	-	1,176	8,321,946
-	-	-	-	27,715	27,715
21,282	231,849	10,286	-	83	698,360
-	-	-	-	-	212,834
-	-	-	2,437,446	-	2,437,446
-	-	-	-	17,352	17,352
-	-	-	-	49,460	58,728
-	-	-	-	210,941	211,154
319,373	1,635,484	223,081	2,437,446	306,727	11,985,535
-	-	-	91,000	-	168,697
323,097	1,532,454	217,907	2,331,940	123,251	11,247,769
-	-	-	-	78,106	87,920
323,097	1,532,454	217,907	2,422,940	201,357	11,504,386
299,452	1,388,812	224,494	183,819	772,043	9,412,963

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Audubon County

Schedule of Revenues By Source and Expenditures By Function –  
All Governmental Funds

For the Last Ten Years

	2019	2018	2017	2016
Revenues:				
Property and other county tax	\$ 4,245,176	3,876,798	3,730,942	3,527,666
Tax increment financing	274,941	201,664	145,762	62,342
Local option sales tax	265,405	247,841	279,922	271,219
Interest and penalty on property tax	20,762	18,977	22,188	2,471
Intergovernmental	3,526,381	3,414,156	3,670,689	4,153,940
Licenses and permits	34,168	20,728	18,149	18,059
Charges for service	318,462	284,569	257,485	275,371
Use of money and property	88,925	69,625	42,379	39,961
Miscellaneous	190,985	252,301	53,374	161,662
Total	<u>\$ 8,965,205</u>	<u>8,386,659</u>	<u>8,220,890</u>	<u>8,512,691</u>
Expenditures:				
Operating:				
Public safety and legal services	\$ 1,478,344	1,315,278	1,211,549	1,224,285
Physical health and social services	675,267	714,437	575,084	585,452
Mental health	240,102	173,116	190,073	121,160
County environment and education	636,162	913,290	564,937	803,029
Roads and transportation	4,699,232	4,277,948	5,302,504	4,859,086
Governmental services to residents	369,895	364,252	337,918	314,193
Administration	761,970	800,890	758,697	669,661
Debt service	511,094	3,518,280	220,295	58,714
Capital projects	1,384,155	1,637,430	965,179	2,268,816
Total	<u>\$ 10,756,221</u>	<u>13,714,921</u>	<u>10,126,236</u>	<u>10,904,396</u>

See accompanying independent auditor's report.

2015	2014	2013	2012	2011	2010
3,485,797	3,558,722	3,846,211	3,476,195	3,301,560	3,260,256
29,838	51,049	-	-	-	-
257,299	264,025	268,687	242,276	290,899	205,436
25,509	23,612	20,974	24,799	29,155	23,401
3,392,261	3,095,806	2,996,795	2,998,188	3,851,963	3,317,115
20,981	12,950	17,329	25,264	18,893	13,324
243,060	219,127	243,770	245,291	259,249	226,123
40,578	26,474	29,102	45,219	43,003	64,827
89,954	45,791	129,890	171,682	73,608	122,386
<u>7,585,277</u>	<u>7,297,556</u>	<u>7,552,758</u>	<u>7,228,914</u>	<u>7,868,330</u>	<u>7,232,868</u>
1,247,374	1,118,953	1,055,931	1,048,453	1,047,406	1,020,955
557,236	514,634	488,418	560,091	570,098	586,559
123,209	67,910	155,940	1,039,242	796,462	658,737
418,009	456,250	451,977	451,191	1,249,182	560,321
3,695,082	3,352,445	3,550,745	3,341,539	2,904,858	2,718,188
282,009	271,696	314,132	318,730	304,034	299,890
649,867	623,242	650,937	696,884	666,107	716,681
66,203	108,757	151,401	129,573	132,895	171,571
410,345	26,701	399,279	333,161	36,347	60,925
<u>7,449,334</u>	<u>6,540,588</u>	<u>7,218,760</u>	<u>7,918,864</u>	<u>7,707,389</u>	<u>6,793,827</u>





**OFFICE OF AUDITOR OF STATE  
STATE OF IOWA**

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**Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards**

To the Officials of Audubon County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Audubon County, Iowa, as of and for the year ended June 30, 2019, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 9, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Audubon County's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Audubon County's internal control. Accordingly, we do not express an opinion on the effectiveness of Audubon County's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We consider the deficiency described in the accompanying Schedule of Findings as item (A) to be a material weakness.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Audubon County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted an immaterial instance of non-compliance or other matters which is described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2019 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### Audubon County's Responses to the Findings

Audubon County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Audubon County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Audubon County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
Marlys K. Gaston, CPA  
Deputy Auditor of State

June 9, 2020

Audubon County

Schedule of Findings

Year ended June 30, 2019

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

(A) Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the County's financial statements.

Condition – Generally, one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	Applicable Offices
(1) Incoming mail is not opened by an employee who is not authorized to make entries to the accounting records.	County Recorder, County Engineer and County Treasurer
(2) Bank reconciliations are not prepared by someone who doesn't sign checks, handle or record cash.	County Recorder
(3) Responsibilities for collection, deposit preparation and reconciliation functions are not segregated from those for recording and accounting for cash.	County Recorder, County Engineer and County Treasurer
(4) The person who signs checks is not independent of the person preparing the checks, approving disbursements, recording cash disbursements and handling cash.	County Recorder
(5) Investments – investing, custody and accounting.	County Treasurer

Cause – The County offices noted above have a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect each County official's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Audubon County

Schedule of Findings

Year ended June 30, 2019

Recommendation – Each official should review the control activities of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel, including elected officials, to provide additional control through review of financial transactions, reconciliations and reports.

Responses –

County Treasurer – We have three employees in our office and segregation of duties is hard. The County Treasurer opens the mail and the other two record the transactions. The County Treasurer balances at the end of the day and someone else balances the motor vehicle or driver's license and the County Treasurer enters those receipts in the system to balance for the day. The County Treasurer handles the bank reconciliations and the County Recorder also reconciles. We balance each day to all the transactions being performed in the office.

County Engineer – The Engineer's office is aware of these issues and concerns. We have implemented, to the best of our ability, a review process with lack of staffing. We do have double reports and tracking spreadsheets for receipts and deposits but opening of the mail is still normally a process for whomever can get it.

County Recorder – With two employees in the office, including the County Recorder, it is not feasible to maintain total segregation of duties. In order to obtain maximum internal controls, other office personnel are being utilized to provide additional oversight. A detailed listing of the changed procedures is available from the County Recorder.

Conclusions – Responses acknowledged. Each official should continue to review the control activities of their office to obtain the maximum internal control possible under the circumstances.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Audubon County  
Schedule of Findings  
Year ended June 30, 2019

**Other Findings Related to Required Statutory Reporting:**

- (1) Certified Budget – Disbursements during the year ended June 30, 2019 did not exceed the amounts budgeted.
- (2) Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (4) Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Todd Nelsen, Supervisor, brother owns of City Service & Parts	Parts, tools and supplies	\$ 4,386
Gary Riesgaard, Veteran Affairs Director, brother owns of Riesgaard Farm Supply	Seed	644
Chris Hemmingsen, Secondary Road office manager, brother owns of Ace Hardware	Parts and supplies	10,403
Larry Sorenson, Roadside Secondary Roads foreman, sister-in-law owns Options Ink	Sign decals	53

In accordance with Chapter 331.342(2)(j) of the Code of Iowa, the transactions with Riesgaard Farm Supply and Options Ink do not appear to represent conflicts of interest since the total transaction with each individual were less than \$1,500 during the fiscal year. The County Attorney's Office was previously consulted and opined the transactions with City Service and Parts do not constitute a conflict of interest since Todd Nelsen has no interest, direct or indirect, in the business of his brother and he did not arrange the contracts.

In accordance with Chapter 331.342(2)(d) of the Code of Iowa, the transactions with Ace Hardware for the Secondary Roads department and other County departments do not appear to represent a conflict of interest since the Secondary Roads Office Manager's remuneration of employment is not directly affected as a result of the transactions and her duties do not directly involve procurement of the parts and supplies.

- (5) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

Audubon County

Schedule of Findings

Year ended June 30, 2019

- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County’s investment policy were noted.
- (8) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- (9) County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2019 for the County Extension Office did not exceed the amount budgeted.

Several 4-H Clubs maintain bank accounts separate from the County Extension Council’s accounting records. While the 4-H Clubs are subject to oversight by Iowa State University and the County Extension Council, the transactions and resulting balances of the Clubs were not reflected in the Extension Council’s accounting system and have not been included in the annual budget, monthly financial reports as required by the County Extension Office. At June 30, 2019, one Club account had not been turned over to the County Extension Office.

Recommendation – To strengthen internal control and increase operating efficiencies, the financial transactions of the 4-H Club separate accounts should be integrated with the County Extension’s accounting records under the Extension District’s EIN. The financial activity should be included in the County Extension’s accounting records, monthly financial reports and the annual financial reports.

Response – We will seek further guidance from the university.

Conclusion – Response accepted.

- (10) Annual Urban Renewal Report – The Annual Urban Renewal Report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.

Audubon County

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Deputy  
Donna F. Kruger, CPA, Manager  
Jason J. Miller, Staff Auditor  
Edward J. Schroder, Staff Auditor  
April R. Davenport, Staff Auditor  
Craig S. Miller, Assistant Auditor  
Silvester K. Rutto, Assistant Auditor